

June 14, 2000

PERSONAL & CONFIDENTIAL

FAX TO HOME - 011-44-207-938-1177 and 011-44-207-937-2686

COPY VIA COURIER

Hon. Conrad Black, P.C., Q.C.
c/o Telegraph Group Limited
One Canada Square
Canary Wharf
London E14 SDT
DX42657 Isle of Dogs
London

Dear Conrad:

In an extraordinarily short and rushed time since you and I shook hands in Brussels about ten days ago, we have been able to craft a more formal document, entitled "Transaction Proposal". I am enclosing the document along with the 7 Schedules, and forwarding a copy to David Radler in Chicago and Peter Atkinson in Toronto.

As promised, I have tried to stay within the spirit, intent and meaning of the Concept Document of May 31, as you and I amended and clarified at our meeting. If I have erred in doing so, I can assure you it would only be by oversight, and not any intent to change the fundamental deal.

What this document attempts to do, is expand on the Concept Document and try to flesh it out into something closer to a non-binding Letter of Intent, prior to the opening of the bids in the auction process being carried out for you by Morgan Stanley.

Naturally, as we get into more details, new questions arise, and you may wish to further discuss the terms, conditions and implications, prior to commencing in-depth due diligence in the next few days.

To that end, I am available in Winnipeg (home or office) straight through for the foreseeable future, with the possible exception of having to go to Toronto for a day sometime next week to meet with Peter Godsoe and/or John Hunkin to finalize the financing, if that is what it takes to put that aspect to bed, so feel free to call anytime day or night (not morning). Alternatively, as you know, Leonard is in Paris and can be reached at the Four Seasons Hotel, 31 Avenue, George 5V, 75008, phone 011-33-49-52-

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7100, guest fax 011-33-1-49-52-7010, private fax 011-33-1-49-52-7684, and would be happy to stop over in London to meet with you to clarify things on his way home to Winnipeg sometime in the next couple of days. By way of a copy of this letter, I am asking him to call you before he leaves Paris to ascertain whether or not a meeting is necessary in the next few days.

I don't think you will find any surprises in the document, with the possible exception of paragraph 5, dealing with the purchase of Canada.com. There, as I forewarned you, we think that the simplest thing for us to do is buy Canada.com and give you a 50% interest in any profit we make on any subsequent transaction involving it. I know that this differs from paragraph 11 of the Concept Document, but on reflection, we concluded that it would be a nightmare to blend Canada.com into all our other Internet stuff and then try to determine who should support what losses if we were to go into the 50/50 arrangement in shareholding. You should also appreciate that our lenders and financial advisors are keen on the convergence component of our merger and that keeping Canada.com out of the combined operations dilutes their enthusiasm for the deal. If you insist, we will return to the original concept, including the idea that we would be prepared to leave it out entirely, establish our own Portal, as we have been planning to do anyway, and enter into a commercial arrangement giving access to Canada.com to our print content and vice versa. Frankly, I honestly believe that when you reflect on it, you will also conclude that a simple purchase, the 50/50 profit split on any further on-sales, will get you principally what you want, namely, not being embarrassed by having sold it at double your cost, only to find that the buyer unsold it at a spectacular further multiple of cost.

In all events, we feel that the discussions with Look Communications should be deferred until we get our deal done.

Although it makes no difference to you, we have also provided that if I can work out my tax situation, it might be preferable for the multiple voting shares to be sold by my family companies, or the charitable organizations to which I intend to donate same; in that case, so that you would not be out of pocket, we have increased the cash to be payable to you, to cover your cash outlay.

Finally, I hope I have adequately covered the Shareholders' Agreement in National Post, the Management Agreement with Ravelston, and the Shareholders' Agreement between you and the Asper family.

Neither the Hollinger nor the CanWest people wish to sign a Letter of Intent at this point, even though it is not binding until there are definitive agreements, out of concern for having to make a public announcement. I

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have no problem with that, but before I unleash our entire human resource component at head office, plus engage a number of advisors, I would like to have the comfort of having a private letter from you confirming, as do I now confirm, that the Proposal is acceptable to you (subject to further discussions) and that you will cooperate fully with me in developing it to the stage of due diligence and definitive agreements that we can present to our companies for approval.

I have taken the liberty of attaching a pro forma type of letter which I would appreciate your sending me, in my personal capacity, on your personal stationery, not Hollinger's. Feel free to adapt or change it as you see fit. Since speaking with you this morning, we have been given further encouragement that our financing is starting to shape up. We will have a written proposal from CIBC World before the weekend, and BNS is sending a team to Winnipeg to meet with me on Friday to lay out their written proposal. Given that I have more flexibility than I have so far indicated to any of them, I am optimistic.

Incidentally, we are really flying blind on the Post and Canada.com. We've requested financial information to give us a sense of them, but so far haven't received anything. Could you possibly exert a little of your famed gentle suasion?

I look forward to further discussion with you.

Sincerely,


T.H. Asper

IHA/sm
Att.

Copy: Leonard Asper
Peter Atkinson
David Radler

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TRANSACTION PROPOSAL

June 14, 2000

Merger of Certain Canadian Businesses of Hollinger Inc. and the Businesses of CanWest Global Communications Corp.

CanWest Global Communications Corp. is prepared to negotiate the purchase from Hollinger Inc. and its affiliates ("Hollinger") of:

- (a) the assets, property and undertaking of Hollinger identified in Schedule A to this proposal as further described in the information provided or made available to CanWest Global Communications Corp. in connection with this transaction (the "Print News Media Business") as a going concern;
- (b) a 50% voting and equity interest in the assets, property and undertaking of Hollinger comprising the business of the National Post as further described in the information provided or made available to CanWest Global Communications Corp. in connection with this transaction (the "National Post Business"); and
- (c) all right, title and interest in and to the *Canada.com* name, domain name and website and related websites, together with the assets, property and undertaking of Hollinger used in and principally dedicated to the operation of such websites (the "*Canada.com* Business");

all on a basis substantially as outlined in this transaction proposal (the "Proposed Transaction"). The purchaser will be CanWest Global Communications Corp. and/or one or more of its affiliates ("CanWest"). The Print News Media Business, the National Post Business and the *Canada.com* Business are collectively referred to in this transaction proposal as the "Acquired Businesses".

The following sets out the principal terms of the proposed transaction.

1. **Purchased Print News Media Assets** – CanWest will purchase all of the assets, tangible and intangible, used by Hollinger and principally dedicated to the operation of the Print News Media Business including, without limitation: (a) working capital, (b) property, plant and equipment, (c) intellectual property (including all right, title and interest in and to the name "Southam") and information technology assets including, but not limited to, all internet related assets and all websites, URL's and domain names and all other means of exploitation of information technology and intellectual property assets, (d) assignable contracts and government authorizations, (e) goodwill, including all customer lists, (e) books and records, (f) the interests of Hollinger in Canadian Press and Infomart, and (g) all assets of Hollinger used and useful in the operation of its Canadian newspaper business other than those which are used exclusively by the Excluded Print News Media Assets (as defined below) (collectively, the "Purchased Print News Media Assets").

Included in the Purchased Print News Media Assets will be the benefit of the existing agreements of the Print News Media Business, including the supply agreements for newsprint and ink, the computer hardware and software agreements, distribution agreements,

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customer agreements and maintenance contracts. If the benefit of any contracts cannot be assigned to CanWest, comparable agreements will be put in place either with Hollinger and/or with the relevant suppliers.

All assets which are used by the Print News Media Business but which are not to be included in the Proposed Transaction must be identified in the definitive agreement and to the extent that any such assets are necessary or desirable for the ongoing operation of the Print News Media Business, those assets must be replaced or be the subject of new arrangements on the same or comparable terms. Any inter-affiliate arrangements between the Acquired Businesses and Hollinger shall be specifically disclosed and to the extent such arrangements are required post closing by the Acquired Businesses, such arrangements will be continued on commercial terms or otherwise on terms to be agreed.

The Purchased Print News Media Assets shall be transferred to CanWest free and clear of all encumbrances other than agreed upon permitted encumbrances.

2. **Excluded Assets and Affiliation Agreements** - Except as noted in this transaction proposal or as otherwise agreed, the Purchased Print News Media Assets will not include the assets of the businesses of Hollinger identified in Schedule B to this transaction proposal (the "Excluded Print News Media Assets").

Hollinger shall use best efforts to cause the third party purchasers (other than any direct competitors of any of the Print News Media Assets) from Hollinger of any newspaper assets forming a portion of the Excluded Print News Media Assets to enter into an affiliation agreement (each an "Affiliation Agreement" and, collectively, the "Affiliation Agreements") with CanWest providing for mutually acceptable ink, paper and other supply arrangements and providing CanWest, at no additional cost, with complete and non-exclusive access to the content of such newspaper provided that this does not materially impair Hollinger's ability to sell any of the Excluded Print News Media Assets.

3. **Structure of the Acquisition** - The consideration for the assets to be purchased by CanWest was determined on the basis that the Proposed Transaction would be an asset acquisition on a fully taxable basis. CanWest acknowledges that Hollinger may wish to structure the acquisition of the Purchased News Media Assets in a manner which would require Hollinger to transfer all of the Purchased News Media Assets to one or more newly incorporated corporations ("NewsMediaCo") and would require CanWest to purchase all of the shares of NewsMediaCo. If Hollinger decides to proceed in this manner, Hollinger and CanWest will cooperate in determining how best to structure the transfer of such assets including, without limitation, the number and jurisdiction of corporations to which the Purchased News Media Assets will be transferred and the allocation of the Purchased News Media Assets among the various NewsMediaCo. CanWest and Hollinger acknowledge that the purchase price for the Purchased News Media Assets contemplated in this transaction proposal assumes that the purchase of such assets is structured as a direct purchase of assets by CanWest on a fully taxable

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If the benefit of any contracts cannot be assigned to The National Post Inc., comparable agreements will be put in place either with Hollinger and/or with the relevant suppliers.

All assets which are used by the National Post Business but which are not to be transferred to The National Post Inc. must be identified in the definitive agreement and to the extent that any such assets are necessary or desirable for the ongoing operation of the National Post Business, those assets must be replaced or be the subject of new arrangements on the same or comparable terms. CanWest and The National Post Inc. will enter into long terms agreements formalizing any existing but unwritten distribution and affiliation arrangements between the National Post Business and the Print News Media Business and/or Hollinger provided such are on commercial terms or otherwise on terms to be agreed. Hollinger acknowledges that the National Post Business will be integrated administratively with CanWest's operations, the cost of such integration to be borne by The National Post Inc.

The National Post Assets shall be transferred to The National Post Inc. free and clear of all encumbrances other than agreed upon permitted encumbrances.

The National Post Inc. will enter into an Affiliation Agreement with CanWest on mutually acceptable terms providing for ink, paper and other supply arrangements, providing CanWest, at no additional cost, with complete and non-exclusive access to the content of the National Post Inc., providing for the masthead of The National Post Inc. to refer to "a Hollinger/CanWest publication" and providing for cross-promotional advertising between The National Post Inc. and CanWest. At CanWest's option, The National Post Assets may be exploited by CanWest on normal commercial terms including, without limitation, being used to brand a new television specialty license for programming business and related genre.

Hollinger will provide CanWest with a five year business plan and financial forecast relating to the National Post Business.

5. **Purchase of the Canada.com Business** - CanWest will purchase as a going concern, all right, title and interest in and to the *Canada.com* name, domain name and website and related websites, together with all of the assets, tangible and intangible, used by Hollinger and principally dedicated to the operation of such websites, including, without limitation, working capital, property, plant and equipment, intellectual property and information technology assets, assignable contracts and government authorizations and goodwill, including all customer lists and books and records (collectively, the "*Canada.com* Assets") free and clear of all encumbrances other than agreed upon permitted encumbrances. The acquisition of the *Canada.com* Business will be structured as an acquisition of assets.

No further discussions will take place between Hollinger and Look Communications Inc. ("Look"). After the closing of the Proposed Transaction, the parties will commence discussions with Look with respect to a potential transaction, it being understood that CanWest shall have the final decision-making authority with respect to the completion and terms

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of such a transaction, including as to the compensation to be provided to CanWest and The National Post Inc. for the provision to Look of access to the content of The National Post and CanWest's newspaper, broadcasting content and other content.

In the event that CanWest sells any or all of the *Canada.com* Business within three years of the closing of the Proposed Transaction, CanWest will pay to Hollinger 50% of the amount by which the proceeds of such sale to CanWest, plus any distributions or return of capital from the closing of the Proposed Transaction to the date of any such sale, exceed the sum of (a) the purchase price paid by CanWest to Hollinger for the *Canada.com* Assets, (b) any amount invested in the *Canada.com* Business by CanWest since the closing of the Proposed Transaction, (c) the costs to CanWest of carrying its investment in the *Canada.com* Business, and (d) income taxes paid or payable in respect of the sale of the interest in question. Hollinger acknowledges that CanWest may transfer the *Canada.com* Assets into a separate company or limited partnership.

CanWest and Hollinger acknowledge that an initial public offering of securities from the treasury of any corporation owning the *Canada.com* business will not constitute a sale by CanWest of any or all of the *Canada.com* Business.

6. **Liabilities** - CanWest will not assume (either directly or indirectly through a News Mediaco or The National Post Inc.) any liabilities or obligations of Hollinger other than:

- (a) current liabilities of the Acquired Businesses;
- (b) liabilities in respect of the active employees of the Acquired Businesses and the *Canada.com* Business to be assumed by CanWest (directly or indirectly) (the "Transferred Employees") arising from and after the closing date;
- (c) liabilities in connection with any ongoing pension obligations specifically assumed in connection with the Proposed Transaction; and
- (d) liabilities and obligations under the assumed contracts of the Acquired Businesses from and after the closing date of the Proposed Transaction

(collectively, the "Assumed Liabilities").

Hollinger shall remain responsible and indemnify CanWest for and in respect of all of the liabilities of Hollinger of every nature and kind other than in respect of the Assumed Liabilities.

7. **Purchase Price** - The purchase price (the "Purchase Price") for the assets to be acquired by CanWest shall be determined as follows:

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- (a) for the Purchased Print News Media Assets, the purchase price will be equal to ten (10) times the value of the agreed upon forecast of sustainable earnings before income taxes, depreciation and amortization and other adjustments normally recorded on the income statement below the operating profit line, all as determined in accordance with Canadian GAAP ("EBITDA") of the Print News Media Business for the year ending December 31, 2000. Based upon preliminary financial information provided by Hollinger, this would produce an estimated purchase price for the Print News Media Assets of \$3,982,760,000 as set forth in Schedule A;
- (b) for 50% of the shares of The National Post Inc., the purchase price will be the sum of \$100 million; and
- (c) for the *Canada.com* Assets, the purchase price will be equal to the lesser of (i) ~~\$20 million and (ii) two times the agreed upon operating and development costs~~ incurred by Hollinger in developing the *Canada.com* Business to the date of closing of the Proposed Transaction

subject to the adjustments to the Purchase Price set forth in section 8 of this transaction proposal.

The Purchase Price shall be payable at closing of the Proposed Transaction as follows:

- (a) as to the amount of \$77,625,000, by the issuance and delivery of 2.7 million multiple voting shares ("Multiple Voting Shares") in the capital of CanWest Global Communications Corp., such shares being valued at \$28.75 each;
- (b) as to the amount of \$607,500,000, by the issuance and delivery of 24.3 million subordinate voting shares ("Subordinate Voting Shares") in the capital of CanWest Global Communications Corp., such shares being valued at \$25 each;
- (c) as to between 50% and 60% of the Purchase Price, in cash to be provided by the stand-alone bank financing described in paragraph 9; and
- (d) as to the balance, by the delivery of subordinated debentures ("Subordinated Debentures") of the corporation, if any, which will own the *Canada.com* Business and any corporation holding the Purchased Print News Media Assets and/or secured by the shares of CanWest held in The National Post Inc., having the terms and conditions set forth in Schedule C to this proposal.

At the option of CanWest and CCC some or all of the Multiple Voting Shares may be sold to Hollinger by CanWest Communications Corporation ("CCC") or a charitable foundation (the "Foundation") in consideration for the payment by Hollinger to the transferor of \$28.75 per Multiple Voting Share and the amount of the cash portion of the

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Purchase Price shall be increased accordingly; provided, that if the issuance of Multiple Voting Shares or the sale thereof to Hollinger from CCC or the Foundation, requires the approval of the shareholders of CanWest, then (i) CanWest shall seek the approval of its shareholders at a special meeting of the CanWest shareholders called for this purpose, and (ii) until such time as Hollinger receives the Multiple Voting Shares, CCC shall provide a power of attorney or enter into a voting trust agreement the effect of which will provide Hollinger with the same voting rights as would result from the ownership of the Multiple Voting Shares to be issued to Hollinger.

8. **Purchase Price Adjustments** – The Purchase Price shall be subject to adjustment, as set forth below:

- (a) The Purchase price will be reduced in order to compensate CanWest for the income tax inefficiencies associated with structuring the acquisition of the Purchased Print News Media Assets as an acquisition of shares as provided in paragraph 3, such adjustment being currently estimated to be in excess of \$100 million. The definitive agreement will describe the principles on which to base the required purchase price reduction and provide for any dispute to be settled by binding arbitration. In the first instance, the reduction shall be calculated by PricewaterhouseCoopers (for CanWest) and KPMG (for Hollinger) and if they cannot agree on the amount of the reduction they shall agree on the identity of an arbitrator who shall arbitrate the dispute.
- (b) The Purchase Price will be adjusted on April 30, 2001 to the extent that actual audited EBITDA of the Print News Media Business in the aggregate for the year ended December 31, 2000 is less than the agreed-upon Hollinger forecast EBITDA for such period as set forth on Schedule A.
- (c) As the Purchase Price was established by negotiations between CanWest and Hollinger and, in part, by reference to twelve (12) times the August 31, 2001 estimated EBITDA of certain CanWest operations and investments which are listed in Schedule D (the "Variable Assets"), which EBITDA was estimated and agreed upon by the parties to be \$421,991,000 in the aggregate, the Purchase Price consideration will be adjusted on December 31, 2001 to the extent that actual aggregate audited EBITDA of the Variable Assets for the year ended August 31, 2001 is less than the estimated agreed upon forecast of EBITDA for the Variable Assets set forth in Schedule D.
- (d) As the Purchase Price assumes that the working capital of the Print News Media Business to be assumed by CanWest on closing is zero, the Purchase Price will be decreased or increased by an amount equal to any working capital deficiency or surplus of the Purchased Print News Media Assets on closing as disclosed in a closing working capital audit.

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- (e) **The Purchase Price will be reduced by an amount of \$60 million, being equal to ten (10) times the annual fee of \$6 million payable under the Management Services Agreement (as defined below).**
- (f) **To the extent there are central management services ("Central Services") such as accounting, purchasing and sales services being provided to the Print News Media Business from a source other than the Print News Media Business or pursuant to the Management Services Agreement (as defined below), that are essential to the ongoing conduct and operation of the Print News Media Businesses and such Central Services are assumed or acquired by CanWest, then to the extent that the cost of such Central Services are not included in the forecast EBITDA for the Print News Media Business, the Purchase Price of the Print News Media Businesses shall be reduced by ten (10) times the annualized cost of the Central Services assumed or acquired by CanWest. In such case, for the purpose of comparing the actual audited EBITDA of the Print News Media Business for the year ended December 31, 2000, referred to in paragraph 8(c), and the forecast of sustainable EBITDA referred to in paragraph 7(a), the annualized cost of such Central Services shall be deducted from each such calculation.**

Any reduction of the Purchase Price shall be effected by a corresponding reduction of the principal amount of the Subordinated Debentures held by Hollinger, or, in the event of a reduction in the value of CanWest's shares or an increase in the Purchase Price as a consequence of a surplus of working capital, at the option of CanWest, by the issuance to Hollinger of additional Subordinate Voting Shares or an increase in the principal amount of the Subordinated Debentures held by Hollinger.

9. **Bank Financing** - CanWest intends to finance between 50% and 60% (but in no event less than 50%) of the Purchase Price by means of senior term debt bank financing ("Senior Debt") which is non-recourse to CanWest other than with respect to the assets or shares of the Acquired Businesses. CanWest shall endeavour to obtain a commitment for such financing on or prior to July 21, but will not enter into a definitive agreement with respect to the Proposed Transaction unless it has received a signed commitment letter with respect to such financing which is acceptable to CanWest. Hollinger acknowledges that the lender providing the Senior Debt may require certain prepayments of principal in preference and priority to the Subordinated Debentures and that the Senior Debt may be subject to restructuring during the term of the Subordinated Debentures.

10. **WIC Decision** - Neither Hollinger nor CanWest shall be required to execute a definitive agreement unless and until the Canadian Radio-television and Telecommunications Commission ("CRTC") has released a favourable decision with respect to CanWest's applications relating to the change in ownership of WIC Western International Communications Inc. as the holder of broadcasting licenses in Ontario, Alberta and British Columbia. If such a

11/11/00 [decision is not received prior to July 21, 2000, CanWest and Hollinger shall discuss the expected timing of the release of such decision and the effect of the release of such decision on the Proposed Transaction.

11. **National Post Shareholder Agreement - CanWest, Hollinger and The National Post Inc.** will enter into a unanimous shareholders agreement in respect of The National Post Inc. at closing containing terms and conditions customary for an agreement between the two sole shareholders of a private corporation, including, without limitation:

(a) **Board of Directors - Establishing the number of directors of The National Post Inc.** as four with two representatives appointed by each of CanWest and Hollinger for the first five years following the date of closing, following which the parties shall elect an independent fifth director (if no auction is held as contemplated in (i) below);

(b) **Chair of the Board - Providing that, for the first five years following the date of closing, a representative of Hollinger and a representative of CanWest shall be Co-Chairs of the board of directors and that the Co-Chairs representing Hollinger shall have a tie-breaking or casting vote.** *11/11/00* [~~Following the first five years, the Chair of the board of directors shall alternate annually between a representative of Hollinger and CanWest (provided no auction has occurred) and the Chair shall have no tie-breaking or casting vote.~~]

(c) **Corporate governance and minority protection - Establishing restrictions customary for agreements of this nature on the ability of The National Post Inc. to take certain actions without the unanimous approval of the board of directors or shareholders. At a minimum, the minority protections will be provided to allow each of the parties to proportionately consolidate the results of The National Post Inc. for accounting purposes. Any arrangements between either of the shareholders of The National Post Inc. and The National Post Inc. shall be on normal commercial terms unless otherwise unanimously approved by the board of directors of the National Post Inc. The National Post Inc. shall be a special purpose company organized to own and manage the National Post newspaper and shall carry on no other activities;**

11/11/00 [(d) **Editorial Policy - Providing that the editorial policy of the National Post shall be determined by the board of directors of the National Post from time to time and that no change in editorial policy shall be made without the approval of the board of directors. CanWest shall be provided with advance notice of new editorial policies or changes to existing editorial policies or any editorial position which could reasonably be viewed as damaging or adverse to CanWest's interests. In the event that the representatives of CanWest disagree with the editorial policy established by the board of directors or any such adverse editorial position,**

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CanWest shall be afforded the opportunity to submit from time to time, and the National Post shall publish in the op-ed pages or such other prominent location as shall be agreed, a column under the by-line of the author, in order to ensure that the National Post presents a balanced point of view;

- (e) Dispute Resolution - Providing for the private resolution of disputes through arbitration in Ontario by an agreed arbitrator, provided this right will not detract from the Hollinger Co-chair's casting vote during the first five years following the date of closing;
- (f) Capital Contributions - Providing that in the event that the audited EBITDA of The National Post Inc. for the year ended December 31, 2000 is negative, Hollinger shall make a capital contribution to The National Post Inc. to make up any deficiency in EBITDA for such period. Commencing January 1, 2001, Hollinger and CanWest shall each be responsible for contributing 50% of The National Post Inc.'s cash requirements provided failure to provide such capital will result in dilution of the defaulting shareholder's interest.
- (g) Auditors - Providing that the auditors of The National Post Inc. shall be the auditors of Hollinger;
- (h) Auction - Providing that at any time after the fifth anniversary of the closing date, in the event that either Hollinger or CanWest wishes to sell its shares in The National Post Inc. or buy the shares of the other, the parties shall conduct an auction of such shares in accordance with the procedures set forth in Schedule E. During the first five years following closing of the Proposed Transaction each party shall be free to sell its shares, subject to a right of first refusal in favour of the other and provided any third party purchaser agrees to become a party to the unanimous shareholders agreement; and
- (i) Distributions - Providing for the annual distribution of all available cash flow after provision for all working capital and capital requirements as agreed upon by the parties, failing which to be determined by the National Post auditors.

12. **Management Services Agreement - CanWest and The Ravelston Corporation Limited ("Ravelston")** will enter into a management services agreement (the "Management Services Agreement") on closing of the Proposed Transaction on terms and conditions more fully described in Schedule F and as follows:

- (a) For an annual fee of \$6 million commencing January 1, 2001 and payable monthly in arrears, Ravelston shall provide the services of its key management, including but not limited to Messrs. Conrad Black, David Radler, and such other persons to be identified forthwith by Hollinger, to oversee the management and

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direction of the Acquired Businesses and any other newspaper and related internet and ancillary assets acquired by CanWest from time to time.

- (b) The editors and publishers of the newspapers constituting the Print News Media Business shall take direction from the representatives of Ravelston.

PLAN (c) Ravelston shall be responsible for establishing the editorial policy of the newspapers in the Print News Media Business;

- (d) All decisions of Ravelston, including with respect to editorial policy, shall be subject to the oversight and direction of a newly formed Operations Committee of the board of directors of CanWest.

- (e) **The Management Services Agreement may be terminated by CanWest, at any time after December 31, 2001 upon six months notice, whereupon CanWest shall pay to Ravelston the sum of \$45 million. The Management Services Agreement may be terminated by Ravelston, at any time after December 31, 2002 upon six months notice, whereupon CanWest shall pay to Ravelston the sum of \$22.5 million. Each of the \$45 million and \$22.5 million payments shall decrease by 20% for each year following the first anniversary of the commencement of the Management Services Agreement.**
- BUCK* [

13. CCC/Hollinger Shareholders Agreement - Hollinger and CCC will enter into a shareholders agreement in respect of CanWest Global Communications Corp. at closing containing the following terms and conditions, among others:

- (a) Board Representation - CCC shall agree to vote in favour of the election two nominees of Hollinger to the board of directors of CanWest Global Communications Corp. provided that if Hollinger's equity or voting interest falls below 8% or 3% respectively, Hollinger shall only be entitled to nominate one CanWest director and if its equity or voting interest falls below 4% or 2%, respectively, Hollinger shall no longer be entitled to nominate any CanWest directors;
- (b) Liquidity - Annually on and after the third anniversary of the date of closing of the Proposed Transaction:
- (i) Hollinger shall have the right to put up to 10% of any Multiple Voting Shares received from either CCC or the Foundation to CCC at a price equal to 114.99% of the "market price" (as such term is defined in the Securities Act (Ontario)) ("Market Price") of the Subordinate Voting Shares provided that CCC shall have the right to designate a purchaser of

the Multiple Voting Shares or cause the Multiple Voting Shares to be distributed to the public;

- (ii) Subject to the availability of an exemption from the requirement under applicable securities laws to prepare a valuation of the Multiple Voting Shares, and subject to not being required under applicable securities laws to make an identical offer to all of the holders of Subordinate Voting Shares, Hollinger shall have the right to put up to 10% of any Multiple Voting Shares received from CanWest to CanWest at 114.99% of the Market Price of the Subordinate Voting Shares as at the date of sale. If such an exemption is not available, subject to the right of first refusal for the benefit of CCC set forth in subparagraph (c), CanWest will assist Hollinger in the sale of its Multiple Voting Shares, including without limitation, through the preparation of a prospectus or private placement offering memorandum provided Hollinger shall contribute 50% of the costs of preparation of the prospectus or offering memorandum. Any underwriting or placement fees shall be for the sole account of Hollinger;
- (iii) At the request of Hollinger, CanWest will assist it in effecting the sale of a block of 10% or more of the Subordinate Voting Shares subject to the right of first refusal set forth in subparagraph (c), through the preparation of a prospectus or private placement offering memorandum provided Hollinger contributes 50% of the costs of preparing any prospectus or private placement offering memorandum. Any underwriting or placement fees shall be for the sole account of Hollinger.
- (c) Right of First Refusal - Hollinger will provide CanWest or CCC, as the case may be, with a right of first refusal with respect to the sale by it of its Multiple Voting Shares at 114.99% of the Market Price of the Subordinate Voting Shares as at the date of sale. Hollinger shall give reasonable notice to CanWest or CCC, as the case may be, of its intention to sell any shares of CanWest and as an alternative to acquiring same pursuant to the right of first refusal, the other party shall have the right to designate a purchaser of such shares who shall be entitled to the benefit of the right of first refusal. Any sale of Multiple Voting Shares must only take place on a pro-rata basis as and when there is any sale of Subordinate Voting Shares.
- (d) Termination - The shareholders' agreement shall terminate and all rights accorded the parties thereunder shall terminate if Hollinger's voting or equity interest falls below 2% or 4% respectively.
- (e) Proportionate Consolidation - CCC will assist Hollinger in its discussions with its auditors with a view to proportionately consolidating the financial results of its

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interest in CanWest so long as the requirements of such proportionate consolidation do not affect the ability of CCC to control CanWest.

14. **Non-Competition, etc. - Hollinger, Ravelston and their respective affiliates and associates shall deliver non-competition, non-solicitation and confidentiality covenants relating to the Print News Media Business restricting Hollinger and Ravelston and any of their respective affiliates and associates from competing with the Acquired Businesses in Canada, soliciting employees of the Acquired Businesses or disclosing any confidential information of the Acquired Businesses for a period of 5 years from the date of closing, provided that Hollinger and Ravelston and their respective affiliates and associates shall be allowed to continue to operate the Excluded Assets and, subject to The National Post Shareholders' Agreement, the National Post.**

15. **Due Diligence - CanWest and Hollinger have each commenced preliminary legal, operational and financial due diligence investigations of each other. Execution of a definitive agreement will be subject to completion of such investigations and satisfaction with the results of such investigations by each of CanWest and Hollinger. From and after June 16, 2000 until closing of the Proposed Transaction, Hollinger shall provide CanWest and its representatives, without interference to the ordinary conduct of its business, with full and complete access to the assets, books, records, personnel and premises of Hollinger in respect of the Purchased Print News Media Assets, including the Print News Media Business, the National Post and the Canada.com Business in order to conduct its legal, operational and financial review of such businesses. From and after the execution of a definitive agreement, the investigations by Hollinger and CanWest of each other shall be limited to the verification of the accuracy of the respective representations and warranties contained in the definitive agreement.**

16. **Employees - CanWest will become a successor employer in respect of the unionized employees under the collective agreements relating to the Print News Media Business and the Canada.com Business. Except as noted below, CanWest will offer employment to all non-unionized employees actively engaged in the Print News Media Business and the Canada.com Business upon closing on terms and conditions which shall be substantially similar in the aggregate to the existing terms and conditions of their employment.**

Following its review of the employment contracts for management employees of the Print News Media Business and the Canada.com Business and after further discussions with Hollinger and Ravelston, CanWest shall determine those management employees of the Print News Media Business and the Canada.com Business (a) to whom it does not wish to make an offer of employment, and (b) with whom it wishes to enter into retention agreements ("Key Employees"). The obligations of Hollinger to employees or former employees of the Print News Media Business and the Canada.com Business to whom no offer of employment is made by CanWest or who do not accept CanWest's offer of employment shall remain with Hollinger.

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All employees of the National Post Business shall be transferred to The National Post Inc. on terms and conditions of employment, which shall be substantially similar in the aggregate to their existing terms and conditions of employment.

The definitive agreement will contain a representation that the employees of the Print News Media Business and each of the individual operating businesses, the National Post Business and the *Canada.com* Business are sufficient to operate such business in substantially the same fashion as such businesses were operated prior to closing and none of such businesses are dependent on any services or employees which are not being transferred other than the services being provided pursuant to the Management Services Agreement.

17. **Pensions** - Subject to due diligence, CanWest would anticipate assuming a proportionate share of the assets and liabilities of each registered pension plan relating to the Transferred Employees provided that such plan is, at a minimum, fully funded on a basis satisfactory to CanWest or establishing new plans, the design and terms of which will comply with applicable existing collective agreements. Hollinger shall not amend or merge any pension plans for the Transferred Employees prior to the closing of the Proposed Transaction, other than in the ordinary course of business.

18. **Subordinated Debentures** - CanWest shall agree that, as long as Hollinger is the holder of more than 50% of the Subordinated Debentures, CanWest shall not incur, capital expenditures or capital investments relating to the Print News Media Business without the prior consent of Hollinger, other than in the normal course of business.

On or after the second anniversary of the closing of the Proposed Transaction, at the request of Hollinger, CanWest shall assist Hollinger in the sale and marketing of the Subordinated Debentures, in whole or in part, including through the preparation of a prospectus or private placement offering memorandum, provided Hollinger shall bear 50% of the costs of preparing such document. Any underwriting or placement fees shall be for the sole account of Hollinger.

19. **Definitive Agreement** - The parties will exercise best efforts to enter into a definitive purchase agreement on or before July 21, 2000 containing terms and conditions customary for transactions of this nature including, without limitation, the following:

- (a) **Representations and Warranties of Hollinger** - The definitive agreement will contain representations and warranties of Hollinger which are typical of transactions of this nature including as to the assets, operations, financial condition and tax matters which will fully protect CanWest in respect of any undisclosed liabilities or contingencies associated with the past operations of the Acquired Businesses and as to the validity of the forecast revenues of the National Post and its operating profitability for the last quarter of 2000. In particular, CanWest must be satisfied that it will not assume responsibility or liability for any

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environmental matters and expects complete representations, warranties and indemnities for environmental issues.

- (b) Restrictions on Sale of CanWest Stock/Subordinated Debenture - Hollinger shall agree to enter into a separate undertaking, addressed to The Toronto Stock Exchange (the "TSE"), not to dispose of its Multiple Voting Shares or Subordinate Voting Shares for such period, if any, as may be required by the TSE and shall agree to enter into a coat-tails agreement in such form as may be required by the TSE. In the event that CanWest issues equity including as part of a restructuring of the Senior Debt, Hollinger agrees to cooperate in such financing by not selling any of its CanWest shares or the Subordinated Debentures during the period that CanWest is in the registration process without CanWest's prior consent.
- (c) Conditions - The definitive agreement will also contain conditions of closing customary in transactions of this sort, including without limitation:
 - (i) Approvals - receipt of all shareholder, regulatory and material third party approvals (including *Competition Act* approval); in this regard, Hollinger acknowledges that the issuance of Subordinate Voting Shares and/or the issuance or sale of Multiple Voting Shares of CanWest Global Communications Corp. as contemplated by this transaction may require the approval of the TSE and/or shareholders of CanWest Global Communications Corp.
 - (ii) Business in the Ordinary Course - that the Acquired Businesses shall have been conducted in the usual and ordinary manner and Hollinger shall have used all reasonable efforts to maintain good relations with its employees, customers and suppliers;
 - (iii) No Material Adverse Change - that there shall have been no material adverse change in the financial condition, business, assets or prospects of each of the Acquired Businesses and CanWest, whether or not as a result of the Proposed Transaction.
 - (iv) Representations - the continuing truth and accuracy of all representations and warranties and fulfilment of all Hollinger covenants;
 - (v) Key Employees - execution and delivery of retention agreements for Key Employees; and

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- (vi) **Agreements** - execution and delivery of the National Post Shareholder Agreement, the Management Services Agreement, the CCC/Hollinger Shareholders Agreement and the Affiliation Agreements.
- (d) **Material Adverse Effect** - Unless the breach results in a material adverse effect upon the assets, operations, financial condition or prospects of the Acquired Businesses or CanWest, CanWest will be required to close the transaction notwithstanding the breach of any representation and warranty or the failure on the part of Hollinger with respect to any of its covenants and shall have recourse only to a claim for damages in such event. Any such damages may, at CanWest's option, reduce the principal amount of the Subordinate Debentures. At CanWest's option, in lieu of termination or a claim for damages, CanWest may elect not to acquire any of the assets which are the subject matter of the breach and the Purchase Price shall be reduced accordingly.
- (e) **Indemnities** - Standard indemnities will be in place providing that Hollinger will indemnify CanWest for any breach of any covenant, representation or warranty if such breach or the aggregate of all such breaches has exceeded the sum of \$1,000,000, in which event Hollinger shall be responsible for the full amount of all claims of CanWest.
- (f) **Survival** - The representations and warranties of Hollinger will survive for the period ending on June 30, 2003 except for (i) tax representations which will survive for six months beyond the normal assessment period and (ii) environmental representations and representations as to the title of Hollinger to the News Media Purchased Assets, the National Post Assets and *Canada.com* Assets, if applicable, which shall survive indefinitely.
- (g) **Right of First Refusal on Assets** -
 - (i) Hollinger shall provide CanWest with a right of first refusal in respect of any of the Excluded Print Media News Assets which are not sold pursuant to the disposition process being conducted by Morgan Stanley; and
 - (ii) CanWest shall provide Hollinger with a right of first refusal in respect of any of its print media assets including those contained in the Acquired Businesses;

in both cases for a period of five years following the closing of the Proposed Transaction and in all cases to apply only with respect to cash transactions and not to those which have special or strategic value to CanWest.

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- (h) Foreign ownership - Hollinger shall represent and warrant that it is "effectively owned and controlled by Canadians" within the meaning of the *Broadcasting Act* (Canada) and a "qualified corporation" as such term is defined in the Direction to the CRTC (ineligibility of non-Canadians). If, at any time, Hollinger is not "effectively owned and controlled by Canadians" and a "qualified corporation", Hollinger shall sell such number of Subordinate Voting Shares or Multiple Voting Shares, in accordance with the terms of the CCC/Hollinger Shareholders Agreement, as may be required to such parties and in such manner to ensure that CanWest at all times complies with the foreign ownership provisions of the *Broadcasting Act* (Canada). In the event the size of the Hollinger interest in CanWest puts at risk the licence of any assets held by CanWest in any jurisdiction, Hollinger shall reduce its interest in CanWest to eliminate such risk.
- (i) Pre-emptive Rights - CanWest Global Communications Corp. shall present to its shareholders a proposal to amend its articles (i) to provide each of Hollinger and CCC with the right to acquire Multiple Voting Shares sufficient to maintain their respective voting interests in the event of a treasury issue of Subordinate Voting Shares; and (ii) to provide that, prior to the issue of any Subordinate Voting Shares other than in circumstances where the shares are being issued to acquire assets, CanWest may carry out a rights offering to the holders of all Subordinated Voting Shares and Multiple Voting Shares.

20. **Closing/Effective Date** - CanWest anticipates that closing will take place on the later of (a) August 31st (which is the year end of CanWest) and (b) five days after *Competition Act* approval and any other required regulatory approval. Notwithstanding the date of closing, the effective date of the transaction shall be August 31, 2000.

21. **Business in the Ordinary Course** - From June 15, 2000 to the completion of the Proposed Transaction or the termination of negotiations, Hollinger shall conduct the Acquired Businesses in the usual and ordinary manner and use all reasonable efforts to maintain good relations with their respective employees, customers and suppliers. During this period Hollinger shall not make any commitment with respect to the acquisition or disposition of any asset comprising part of the News Media Purchased Assets, the National Post Assets or *Canada.com* Assets having a value in excess of \$100,000,000 or enter into amend or cancel any material contract without the prior written consent of CanWest. For purposes of this proposal, a 'material contract' includes any contract involving a one time cost or annual payments exceeding \$100,000,000 or any contract having a term in excess of one year which cannot be terminated without penalty.

22. **Publicity** - All public notices or announcements (including material announcements) and all other publicity concerning the Proposed Transaction shall be jointly planned and coordinated by CanWest and Hollinger and no party shall act unilaterally in this

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regard without the prior approval of the other party (such approval not to be unreasonably withheld) except where required to do so by law or by the applicable regulations or policies of any governmental or other regulatory agency of competent jurisdiction or any stock exchange in circumstances where prior consultation with the other party is not practicable. These negotiations and the existence and terms of this transaction proposal shall remain confidential until the signing of the definitive agreements.

but

23. **No Shop** - From and after June 15, 2000 until July 21, 2000 or such later date as may be necessary, provided the parties are negotiating the terms and conditions of a definitive purchase and sale agreement, Hollinger (a) will work exclusively and in good faith with CanWest with respect to the sale of the Acquired Businesses in an effort to negotiate the definitive agreement and complete the Proposed Transaction; (b) except with the consent of CanWest, will not directly or indirectly enter into or pursue any discussions with, provide information to, or enter into any agreement with any other person relating to the direct or indirect disposition of the Acquired Businesses or any assets of any of such businesses (other than in the ordinary course of business) or take any action which would hamper the ability of CanWest to complete the Proposed Transaction and; (c) will promptly advise CanWest of any proposals from third parties which are received with respect to the assets included in the Proposed Transaction, either by Hollinger or its agents, Citicorp World Markets or Morgan Stanley. Hollinger shall provide CanWest with all information that Hollinger has provided to any other party with respect to the Acquired Businesses.

24. **Addition to the Excluded Assets** - In the event that as part of the current sale process being conducted by Morgan Stanley, Hollinger enters into a binding agreement with a third party to sell the Halifax Daily News (the "Halifax") prior to July 21, 2000 at a price greater than ten (10) times the estimated December 2000 EBITDA of the Halifax, then Hollinger shall be entitled to withdraw the Halifax from the Proposed Transaction and the Halifax shall be an Excluded Print News Media Asset; provided that in such event, CanWest shall have the option, exercisable within fourteen (14) days of receiving notice that the Halifax has been withdrawn by Hollinger, to decline to purchase the Atlantic Group of assets described in Schedule A or any part thereof as CanWest shall determine, whereupon such part of the Atlantic Group of Assets shall be Excluded Print News Media Assets.

In the event that, prior to the execution of a definitive agreement with CanWest and subject to receiving the prior written consent of CanWest, Hollinger sells or enters into any agreement with respect to the disposition of, any of the Purchased Print News Media Assets other than the Halifax, such assets shall be Excluded Print News Media Assets and the Purchase Price for the remaining Purchased Print News Media Assets shall be reduced by the greater of (a) the amount of the proceeds of any such sale or anticipated sale and (b) the portion of the Purchase Price which would have been attributed to those assets.

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25. **Resale** - If, within two years following the closing of the Proposed Transaction, CanWest has sold any of the individual newspaper businesses listed in Schedule A, CanWest shall pay to Hollinger within 30 days of the second anniversary of the closing an amount equal to the 'Excess Sale Proceeds' as determined in accordance with Schedule G.

26. **Costs** - CanWest and Hollinger will be responsible for and bear all of their own costs and expenses (including any broker's or finder's fees and the expenses of their respective representatives) incurred at any time in connection with pursuing or consummating the Proposed Transaction.

27. **Currency** - All references in this document to currency shall be references to Canadian currency.

28. **Concept Document** - In structuring and finalizing the definitive agreements, the parties will act in the spirit and intent of the Concept Document dated May 31, 2000, except as such document is specifically amended by the principal shareholders of the parties. In the event of any conflict between the provisions of this transaction proposal and the Concept Document, the transaction proposal shall govern.

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SCHEDULE A

Project Canterbury

**Basket One Allocation By Masthead,
Geographic Region, Adjusted EBITDA,
and Purchase Price Value**

Date: June 13, 2000

Version: 1.1 - Final

	2000E (000's)	
Masthead by Region	Adjusted EBITDA	Basket One Purchase Price at 10X EBITDA
<u>Quebec</u>		
Montreal Gazette	\$ 41,106	\$ 411,060
<u>Ontario</u>		
Ottawa Citizen	44,206	442,060
The Sarala Observer Group	3,753	37,530
The Observer		
TV Listings		
Scope		
The Marketplace		
Real Estate Guide		
Travellin' Times		
The Windsor Star Group	18,965	189,650
The Windsor Star		
TV Listings		
Shop Windsor		
Forever Young		
Burgain Bundle		
The Chatham Daily News Group	1,782	17,820
Chatham Daily News		
TV Listings		
Chatham Kent Citizen		
Home Hunters Guide		

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The Brantford Expositor Group	3,537	35,370
The Expositor		
Midweek		
Weekender		
TV Listings		
Home Buyers Guide		
Fifty Plus		
The Niagara Group	7,603	76,030
The Dunnville Chronicle		
Niagara Falls Review		
The Welland Tribune		
Weekend Update		
The Welland Tribune Extra		
Import		
Pelland News		
The St. Catharine's Group	8,962	89,620
St. Catharines Standard		
SOCN - Rannie Group		
Weekend Edition		
Niagra Advance		
The Times		
The Shopping Times		
Niagra Shopping News		
Regional Shopping News		
St. Catharine's Shopping		
The SOCN Group	3,844	38,440
The Brabant Group		
Ancaster News		
Dundas Star News		
Hamilton News-Mountain Edition		
Stoney Creek News		
Hamilton Real Estate Guide		
New Home News		
Flamborough Review		
The Fairway Group		
New Hamburg Independent		
Cambridge Times		
Guelph Tribune		
Waterloo Chronicle		
Durham Post		

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Saskatchewan

Ad Ventures	1,040	10,400
The Moose Jaw Times Group		
Times-Herald	2,086	20,860
This Week		
Rural Shopper		
The Prince Albert Daily Herald		
Daily Herald	1,608	16,080
Rural Roots		
Advantage		
Northern Visitor		
Channels		
The Regina Group		
The Regina Leader Post	13,770	137,700
The Regina Sun		
The Regina Advertiser		
TV Times		
Road and Wheel		
Armada Graphics		
The Saskatoon Star Phoenix Group		
The Star Phoenix	12,343	123,430
TV Listings		
Saskatoon Sun		
Saskatoon Shopper		
Swift Current Group		
The Southwest Booster	846	8,460
The City Sun		

Alberta

Edmonton Group		
Edmonton Journal	40,818	408,180
The Flyer Force		
Calgary Group		
Calgary Herald	55,431	554,310
Flyer Force Calgary		

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British Columbia

Vancouver Group	76,127	761,270
The Vancouver Sun		
The Province		
Lower Mainland Publishing		
Burnaby Now		
The Record New Westminster		
The Now Community		
Langley Advance		
Abbotsford Times		
Chilliwack Times		
Maple Ridge Times		
Coquitlam Times Now		
Richmond News		
Delta Optimist		
Vancouver Courier Eastside		
Vancouver Courier Westside		
Vancouver Courier Downtown		
North Shore News		
Real Estate Weekly		
The Port Alberni Group	604	6,040
Alberni Valley Times		
Pennyworth Shopper		
Westerly News		
The Nanaimo Daily News Group	1,726	17,260
The Nanaimo Daily News		
Harbour City Star		
Real Estate Guide		
Monthly Star Homes		
TV Listings		
The Victoria Times-Colonist	16,661	166,610

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4

The Halifax Daily News^L

13,290

8,018

80,180

Bathurst Northern Light
Cape Breton post
Evening News
Truro Daily News
Marketplace Today
Post Record
CB Post Real Estate Guide
Island Shopper
Pictou County this Week
TV Scene (New Glasgow)
Real Estate Guide (Truro)
Helpful Pages Tel bk (Truro)
North Nova Shopper
North Humberland Business Report
Colchester Sunday
TV Scene (Truro)
Real Estate Guide (New Glasgow)
Helpful Pages Tel bk (New Glasgow)

5,400

54,000

**The Guardian
Vacation PEI
The Insider
Seniors
Off Island Islander
Real Estate Guide
Helpful Pages**

2,356

23,560

**The Journal Pioneer
Island Harvest
TV and Real Estate
Buyers Guide
Irwin Printing
Williams & Crew Printing**

10,436

104,360

St. John's Telegram
Weekly EXTRA
TV Scene
Home Buyers Guide
The Cornerbrook Western Star
TV Scene
Star Plus

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5

Southam Magazine & Information Group

13,919

139,190

Automotive

Automotive Service Data Book
Auto Vision
Body Shop
Jobber News
L'automobile
Le Body Shop
Service Station and Garage Management

Communications

Broadcaster
Cablecaster
New Media.pro

Construction

Cabling Systems
Canadian Architect
Canadian Consulting Engineer
Landscape/peisages

Dental Health

Dental Practice Management
Oral Health

Energy

New Technology Magazine\
Petroleum Explorer
Nickels Energy Group
Daily Oil bulletin and online
Canadian Oil Register
POST Report
Energy Analects
Statistics Quarterly
Energy Information Services
New Technology Magazine
Petroleum Ownership Structures
Nickels Directory Series/Online
Petroleum Explorer

Environmental Industry

Hazardous Materials Management
Solid Waste Recycling
Ecolog Week
ELIS
Other Environmental Information

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Financial

Mutual Fund source book
Fund Profiler

Insurance

Canadian Underwriter
Canadian Underwriter Statistical Issue
Ontario Insurance Directory

Manufacturing

Canadian Industrial Equipment News
Canadian Transportation Logistics
Laboratory Product News
Laboratory Buyer's Guide
Machinery & Equipment
Industrial Sales-Scott's Directories

Medical

Southern Medical
Southern Medical Lists
The Drugstore File
Dental Directories
Canadian Health Facilities Directory

Mining

American Mines Handbook
Canadian Mines Handbook
Canadian Mining Journal
Mining Source Book
Canadian MineSCAN
Mining Source Book
Northern Miner Newspaper
Northern Miner Combo
Northern Miner CD
Northern Miner On line daily
Northern Miner On line weekly
American MineSCAN
Northern Miner Daily Facts
The Northern Miner Conferences

Occupational Health and Safety

OH&S Canada
Back to Work
Canadian Occupational Health and Safety News

Plastics

Canadian Plastics
Canadian Plastics Directory & Buyers Guide

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Pulp & Paper
Convention Reporter
Les Papiers du Quebec
Pulp & Paper Canada
Pulp & Paper Annual Directory

Reference/Education
Scott's Government Index
Canadian Source Book
Scott's Directory of Canadian Associations

Retail
Centre Magazine
Gifts and Tablewares
Gifts and Tablewares Annual Directory

Trucking
Motor Truck
Truck News
Truck West

Totals

\$ 398,276

\$ 3,982,760

Note 1: Halifax & Atlantic Group Subject to Mutual Withdrawal

SCHEDULE B

Project Canterbury

Basket Two Allocation By
Masthead, Geographic Region,
Adjusted EBITDA & Value

Date: June 13, 2000

Version: 1.1 - Final

	2000E (000's)	Basket Two Value at 10X EBITDA
Masthead By Region	Adjusted EBITDA	
<u>Ontario</u>		
Cobourg Group	1,068	10,680
Cobourg Daily Star		
Port Hope Guide		
Colborne Chronicle		
Apple Gazette		
Northumberland Weekly		
Northumberland Book		
Campbellford Directory		
The Trenton Group	882	8,820
Trentonian		
Marketplace Today		
Quinte Wheels		
Belleville Intelligencer Group	2,747	27,470
The Intelligencer		
Marketplace Today		
Quinte Wheels		
Kingston Whig-Standard Group	6,071	60,710
Whig Standard		
Whig Flyer Pack		
Shop the Whig Way Bag		
Cornwall Standard Freeholder Group	2,451	24,510
Standard Freeholder		
Smart Shopper		

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Pembroke Group	934	9,340
Nepean This Week		
Pembroke News		
Pembroke Observer		
Pembroke Homestyle		
North Bay Nugget Group	4,281	42,810
The Nugget		
Community Voices		
Nugget Value Pack		
Vintage Times		
Discover Us		
Sudbury Star Group	4,272	42,720
The Sudbury Star		
TV Listings		
Real Estate Guide		
Weekend Alive Extended Coverage		
The Elliot Lake Standard Group	411	4,110
The Standard		
Marketplace		
Trail Rider		
Discover Us		
Phone Book		
Kirkland Lake Group	270	2,700
Northern Daily News		
TV Listings		
The Timmins Daily Group	2,283	22,830
Daily Press		
TV Listings		
Weekend Shopper		
Tuesday Press		
Mining North		
Real Estate North		
Les Nouvelles		
Nothland Post		

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The Sault Group	5,550	55,500
Sault Star		
Sault Ste. Marie This Week		
Welcome Map		
Welcome Tourism BK		

Peterborough Examiner Group	3,024	30,240
Dally Examiner		
Examiner Weekly		
Examiner Real Estate		
Examiner TV Times		
Wheel Power		

The Owen Sound Group	2,763	27,630
Owen Sound Sun Times		
Grey Bruce this Week		
Home Buyers Guide (weekly)		
Home Buyers Guide (monthly)		
TV Times		
Health and Maturity		
Hanover Post		

The Huronia Group	3,705	37,050
The Barrie Examiner		
Examiner this Week		
Collingwood Enterprise		
Collingwood this Week		
Midland Free Press		
Free Press this Week		
Daily Packet Times		
Packet this Week		

Orangeville Banner Group	670	6,700
The Banner		
The Banner Extra		
Real Estate		
Shopper		

Saskatchewan

The Yorkton this Week Enterprise Group	235	2,350
This week Enterprise		
This week Marketplace		
TV Listings		

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British Columbia

The Northern BC Group	2,013	20,130
Alaska Highway News		
Ft. St. John Northener		
Northern Horizon		
Peace River Block News		
Prince Rupert Daily News		
North Peace Express		
The Northerner		
Sunday Advertiser		
Tumbler Ridge Observer		
The Daily News EXTRA		
The Prince George Citizen Group	1,558	15,580
Prince George Citizen		
This Week		
Central Interior Buy/Sell		
The Kamloops Daily News Group	1,026	10,260
The Daily News		
The News EXTRA		
The Kootenay Group	2,020	20,200
The Castlegar Sun		
Creston Valley Advance		
East Kootenay Weekly		
Elk Valley Miner		
Fernie Free Press		
Grand Forks Gazette		
Nelson Daily News		
Trail Times		
Cranbrook Daily Townsman		
Kimberly Daily Bulletin		
TV this Week (Shopper)		
West Kooteney Weekender		
West Kooteney TV Today		
Boundary Bulletin		
Totals	<u>\$ 48,234</u>	<u>\$ 482,340</u>

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SCHEDULE C

Terms of the Subordinated Debenture

The terms of the subordinated debenture shall be as follows:

- ✓ • Ten (10) year term
- ✓ • Interest payable half yearly, only during the term, at market rate to be determined in conjunction with finalizing the terms of the senior debt
- ✓ • Principal to be repaid, in a lump sum, at end of term
- ✓ • Fully prepayable at the option of the issuer in part or in whole at any time during the term
- Fully subordinated to bank or other institutional senior financing of not less than 50% nor more than 60% of the Purchase Price, with such subordination requirements as the senior lenders require during the term of the subordinated debenture
- Mandatory pre-payments, to extent senior lenders will permit, out of future asset sales from the purchased assets and/or earnings therefrom in excess of the cost of servicing the senior debt, necessary working capital additions, capital expenditures or capital investment in new properties including the right of approval by Hollinger over any capital investment outside the normal course of the business of CanWest, such right to be personal to Hollinger and incorporated in the Shareholder Agreement
- Hollinger to accept that senior lenders will require certain prepayments of the principal of the senior debt ahead of the subordinated debenture
- After two years from the issuance of the subordinated debenture, CanWest will assist Hollinger (in all reasonable respects as though this was a subordinated debenture of CanWest that it was attempting to sell) in the marketing of the subordinated debenture, in whole or in part, and for such purposes to issue such registration statements and prospectuses as the regulators may require
- Other terms to be negotiated

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SCHEDULE D

CanWest 2001 Estimated EBITDA for Purposes of Purchase Price Adjustment

Principal Operations		Currency	100% EBITDA (local currency)	100% EBITDA (C\$)	Proportionate Share of EBITDA (C\$)
Canada - Global including WIC	100% consolidated	C\$	210,000	210,000	210,000
Canada - CanWest Entertainment	100% consolidated	C\$	10,000	10,000	10,000
New Zealand - More FM Radio	100% consolidated	NZ\$	8,413	6,141	6,141
New Zealand - RadioWorks	100% consolidated	NZ\$	15,100	11,023	11,023
Australia - Network TEN	100% consolidated	A\$	210,900	181,374	181,374
Corporate Costs	100% consolidated	C\$	(14,480)	(14,480)	(14,480)
Ulster Television Plc	CanWest's 29.9% interest	Brit. Pounds	15,435	34,484	10,311
Telecasters Australia Limited	CanWest's 57.5% of TEN's 14.9% interest	A\$	24,100	20,726	1,776
Southern Cross Broadcasting Limited	CanWest's 57.5% of TEN's 14.8% interest	A\$	50,200	43,172	3,664
Television & Media Services Limited	CanWest's 57.5% of TEN's 12.2% interest	A\$	36,200	31,132	2,182
Total					421,991

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Current FX Rates

New Zealand	0.73
British Pounds	2.23
Australia	0.86

SCHEDULE E

CANWEST/HOLLINGER TRANSACTION PROPOSAL

Principal Terms of Auction Agreement

1. Anytime after the 5th anniversary of the closing of the Proposed Transaction, either of the two shareholders may give notice to the other, stating that on a date not less than 6 months following receipt of said notice (the "Notice Date"), the initiating shareholder wishes to terminate the joint venture and require that an auction for all of the shares of the Company be held by the two shareholders ("Auction").
2. Forthwith upon the giving of said notice, both parties shall be bound to participate in the Auction and to proceed under the terms of this Schedule.
3. As soon as practicable after the Notice Date, the two parties shall meet to determine what steps should be taken as between themselves and the company as may be beneficial to both in terms of structuring the impending purchase and sale in the most tax advantageous manner for both the selling and the buying shareholder. Such restructuring may include the declaration and payment out of the Company of tax free dividends prior to said Auction, subject to the provisions of the Income Tax Act.
4. Thereafter, the parties shall negotiate in good faith to determine whether or not a resolution of the ownership of the Company can be arrived at in a manner which is mutually satisfactory and which makes unnecessary the carrying out of the aforesaid Auction. In no event, shall the date of the Auction be postponed by such discussions, except with mutual consent.
5. Subject to the receipt of Confidentiality Agreements on standard terms from any agents or representatives of the parties and from any associates which a party may wish to involve as a potential buyer in such Auction, in preparation for said Auction, and the financing required by any of the parties, the Company shall make available to each of the parties and/or their associates all relevant information on the Company and its operations, forecasts, prospects, such that each of the parties will be equally fully informed about the affairs of the Company.
6. The Auction shall include not only the common shares owned by each of the parties, but also any other instruments of debt or other securities they may hold in the Company.
7. Within one month following the Notice Date, the initiating shareholder shall provide a written notice to the other shareholder of the minimum basic bid it will be tabling to commence the Auction, and the other shareholder shall be entitled to accept same and sell its shares and securities at the named price. In the event that the other shareholder does not accept the opening bid, then the Auction shall proceed, and the initial bid given by the initiating shareholder shall be deemed to be its opening bid at said Auction.
8. Forthwith after the Notice Date, the Auditors of the Company shall be instructed to determine the Safe Income under the Income Tax Act which may be distributed tax free

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to the two shareholders, and the parties shall cause a dividend in the said amount to be paid out prior to the commencement of the Auction.

9. Forthwith after the Notice Date, the parties will agree upon an individual ("Referee") to supervise the conduct of the Auction and the bidding thereat, who shall be a person of high repute, experience and who deals with both parties at arms length. In the event that the parties are unable to agree on the Referee, either party will be entitled to make an application to the Master of the Supreme Court of Ontario to either act as or appoint the Referee.
10. The Auction shall commence at 9:00 a.m. on the date for which notice has been given, and be held at a location mutually agreeable to the parties, but in default of such agreement, shall take place at the offices in Toronto of the Company's Auditors.
11. At the Auction, each party will be entitled to have representatives and advisors present, including parties who may intend to participate in the purchase by either party of the shares of the other. The price named by the Initiating shareholder, for 100% of the shares and securities owned by the other, shall be deemed to be the opening bid made by it at the commencement of the Auction.
12. Prior to the commencement of the Auction, each of the two shareholders will deposit, in a sealed envelope, with the Referee, a letter of credit from a chartered Canadian bank, made payable to the Referee, in an amount which is the highest that said shareholder intends to bid. During the process of the Auction either shareholder will be entitled to add new letters of credit to those which are tabled originally, which letters of credit are intended to ensure that a party bidding, has the financial capacity to close the transaction.
13. The Referee shall open the envelopes containing the letters of credit upon the commencement of the bidding, and shall not disclose to either of the parties or any other persons present the amount of any letters of credit. The Referee shall open the Auction by asking the other shareholder if he wishes to exceed the Initial Bid put forward by the initiating shareholder. The other shareholder will have five minutes in which to table a higher offer. Thereafter, the initiating shareholder shall have thirty minutes to table a higher offer, and so on, until the highest bid has been achieved. In the event that after any bid has been made by a shareholder, the other shareholder has not tabled a higher offer, the other shareholder will be deemed to have accepted the last offer, creating a binding Purchase and Sale Agreement.
14. No bid will be recognized unless it is at least 2% higher than the previous bid.
15. The Referee will not accept any bid which exceeds the amount that the bidder has provided for in its letter of credit.
16. If, for any reason, the bidding is not completed by 10:00 p.m. on the bidding day, the Auction shall be adjourned and recommenced at 9:00 a.m. the following morning.
17. Upon the ultimate buyer being determined, the closing of the transaction shall occur within 30 days thereafter provided that if any regulatory approvals are required before a

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party can complete the purchase, the parties shall cooperate to effect any regulatory compliance and receive such approvals as soon as possible.

18. At the commencement of the Auction, each of the parties will table with the Referee the shares and any other securities involved, which it owns, and of which are the subject of the Auction, endorsed in blank for transfer.
19. The closing of the purchase and sale ("Closing") shall take place at a location determined by the Referee, and at the closing, the Referee shall deliver to the purchaser the securities of the seller, and shall deliver to the seller the cash he has elected on the buyer's letter of credit, and shall return any surplus cash as is not required, to the buyer. Included in the documents that each of the parties shall deliver to the Referee, for delivery to the buyer, will be resignations of directors and officers from the Company and any affiliates or subsidiaries of the seller, as well as a termination notice of any contract the seller may have with respect to the management of the Company.
20. During the period from the Notice Date to the Closing, each of the parties will undertake to ensure that the Company is run in an orderly and normal course manner, and not permit the Company to enter into any long term contract, purchase and sale, or other major commercial obligation, without the consent of both parties.
21. The existence of the Auction Agreement shall be held in confidence until such time as one or other of the parties elects to implement it, and thereafter its disclosure may only be made to individuals who will sign standard form confidentiality agreements with all the parties prior to the commencement of the Auction. No other notice of the existence or date of the said Auction may be made, except as may be required by law or regulations of any stock exchange having jurisdiction over a party.
22. In the event that either of the buying or selling shareholder default in completing the closing of the transaction, the non-defaulting party shall be entitled to all remedies available at law and equity, including injunctive and specific performance. In addition thereto, the non-defaulting party shall be entitled to purchase the shares in the Company of the other at a price equal to 85% of the purchase price as established by the bidding process, or, require the defaulting shareholder to purchase its interest in the Company in an amount equal to 115% of the aforesaid purchase price. In addition, the non-defaulting shareholder shall be entitled to require that 100% of the Company be sold and the proceeds paid 60% to the non-defaulting shareholder and 40% to the defaulting shareholder. Such third party sale to be conducted under the direction and supervision of the Referee.

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SCHEDULE F

CANWEST/HOLLINGER TRANSACTION PROPOSAL

Terms of Ravelston Management Services Agreement

There will be an agreement between CanWest and Ravelston to provide for the management consultative and advisory services provided by Ravelston containing the following principal terms:

1. During the period from the closing to the December 31, 2000, (the 'Interim Period') Ravelston shall have direction and control over the management of the Acquired Businesses. This provision is to ensure that Ravelston is given every opportunity to realize the EBITDA forecasts on which the Purchase Price is based, in order to mitigate against any adverse Purchase Price adjustment as provided in the Transaction Proposal. During the Interim Period, Ravelston will not be paid for its services, and all costs thereof will be deducted from the EBITDA as confirmed at December 31, 2000.
2. During the Interim Period, CanWest, through its board and its senior officers, will have complete access to all of the management of Ravelston (the "Manager") and that of the Acquired Businesses, in order to fully inform CanWest about the nature and operation of the Acquired Businesses and to prepare a plan, for implementation after January 1, 2001, for the integration of the Acquired Businesses into the CanWest corporate structure and operating systems. During the Interim Period, the Manager will keep CanWest fully informed on all operations of the Acquired Businesses and deliver to CanWest all management reports, financial information and such other material as the Manager has customarily received from the operating units of the Acquired Businesses in order for CanWest to familiarize itself with the operations. As provided in the transaction proposal, upon the closing of this transaction, there will be established a sub-committee (the "Operating Committee") of the board of CanWest consisting of the two Ravelston nominees, and three CanWest nominees, to set and direct policy with respect to Acquired Businesses. Notwithstanding CanWest's control of the Operating Committee, such committee shall not have the authority to overrule the Manager on matters relating to the operations of the Acquired Businesses prior to January 1, 2001.
3. During the Interim Period, the Manager and any and all of its directors and officers shall assist and advise CanWest on developing the post-January 1, 2001 integration of the Acquired Businesses with CanWest's operations, and assist in the evaluation of management of the said operations, as well as participate with the management of the Acquired Businesses and CanWest representatives, in the development of a longer business plan as well as budgets for the future of the Acquired Businesses.
4. Commencing January 1, 2001, CanWest shall be free to integrate the operations of the Acquired Businesses, other than the National Post Business, in any manner it deems fit, including physical merging of operations, lending of staff and/or centralization of corporate and operating functions, as may seem appropriate, given CanWest's other operating centres and business plants generally.

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5. The non-exclusive role of the Manager shall commence on January 1, 2001 and continue until December 31, 2001, and provided that if either party wishes the management arrangement to terminate on December 31, 2001, it shall first have given the other six months notice. In addition, CanWest will have the right to require the Manager to continue providing its management services for one additional year thereafter, even if the Manager has given notice that it wishes to terminate. It is contemplated that the Management Agreement may continue, as amended, for a considerably longer period than the times provided herein. This shall be the subject of further discussions between the parties during the management period.
6. Commencing January 1, 2001, CanWest shall pay the Manager an annual fee of \$6 million, payable monthly in arrears in consideration of the provision of continuing direction, supervision and policy guidance with respect to the Acquired Businesses, including the negotiation of divestitures therefrom or acquisitions and additions thereto. The services to be carried out by the Manager during this period shall be equivalent to the Manager acting as Chief Executive Officer of the Acquired Businesses. The Manager shall report to and be subject to the direction of the Operating Committee. One of its chief functions will be to assist CanWest in the location of an individual, who will become a senior CanWest corporate officer, and be capable, or become capable of assuming the Manager's role as Chief Executive Officer of the Acquired Businesses, should the Management Services Agreement terminate. A further key function of the Manager will be to assist, and give direction in respect of the integrating of the Acquired Businesses with the other Canadian businesses of CanWest and to cause the synergies of operations and cross promotion between same to be maximized at the earliest possible moment. All CanWest corporate officers and operating Chief Executive Officers will cooperate fully with the Manager.
7. The Manager, in addition to the above compensation, will be reimbursed for all reasonable disbursements and expenditures it incurs in carrying out its responsibilities.
8. The Manager will be considered to have carried out its obligations hereunder by making available the advice and services of Conrad Black, David Radler, and such other Ravelston or Hollinger senior personnel as may be necessary, on a reasonable amount of time basis, in order to facilitate a smooth transition of ownership and management of the Acquired Businesses to CanWest. The additional individuals required for this obligation of the Manager is limited to those senior executives who, prior to the closing of the Proposed Transaction, have played key roles in the management, financing, development, operation and growth of the Acquired Businesses ("Key Employees"), and who are still employed by Ravelston or Hollinger or their subsidiaries. Ravelston shall use all reasonable efforts to maintain in its employ the Key Employees, including entering into retention agreements.
9. The management services and the fee paid therefor shall include all of services required by the Acquired Businesses, including, for greater certainty for both the National Post Business and the Canada.com Business.
10. During the Interim Period the Manager will have general control, on a day-to-day basis, over editorial and opinion comment. The Manager shall therefore advise such Committee well in advance of any editorial positions that may be taken which might be

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reasonably assumed to be injurious or embarrassing to CanWest, taking into consideration that CanWest is a regulated company which does not wish to impair its relationship with those who have control over its electronic licenses, either in application for new licenses, or the renewal of existing licenses. Over and above the policy-setting authority of the Committee, CanWest will be entitled to insert such editorials in any of the individual business units of the Acquired Businesses, on any subject at any time, the National Post not being included in this arrangement, as it is covered by a separate arrangement. Following the Interim Period, CanWest shall have general control on a day-to-day basis over editorial and opinion comment (subject to any requirements for conditions imposed by the CRTC). This paragraph shall not apply to the National Post which will be subject to the applicable provisions of The National Post Inc. shareholders' agreement.

11. The services to be provided, with the intention of enhancing the earnings and profitability of the Acquired Businesses (but subject to the control and direction of the Operating Committee) will include:
 - Strategic planning;
 - Operational efficiency and effectiveness;
 - Acquisitions and startups;
 - Annual budgeting;
 - Operational financing;
 - Identification and negotiation of strategic partnerships and mergers;
 - Affiliate agreements;
 - Cross promotion between the electronic and print side, achieving synergies of operations, production, determination of whether or not co-selling of advertising is effective;
 - Maximizing the prospects of Canada.com by employing the content of both the electronic and the print sides of the business;
 - Equipment and capital acquisition and replacements.
12. The Manager shall provide a monthly written report on all operations under its management, for inclusion in the monthly senior management meetings at corporate head office, and for distribution to the CanWest board in summary form. In addition, the Manager shall provide CanWest with all daily, weekly or monthly reports it receives from the businesses under its management, in order to ensure that CanWest is fully apprised of said operations.
13. The Manager and any of its officers and subsidiaries are free to carry on any business or other management functions unconnected to this transaction, provided that in so doing they do not impair their ability to provide the services contemplated hereby to the same standard as previously provided to the Acquired Businesses.
14. The Manager shall not be entitled to assign its responsibilities under the Management Services Agreement.
15. In the event that Ravelston is unable for any reason, including by reason of the death or disability of the principals of Ravelston, to perform the services provided for in the

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Management Services Agreement, then CanWest shall have the right to terminate the agreement without payment or compensation to Ravelston.

16. The terms of this arrangement will be kept confidential by both parties hereto, except to the extent required by law.

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SCHEDULE G

Resale Provision

For the purposes of section 25 of the Transaction Proposal:

"Excess Sale Proceeds" means the amount, if any, by which the Adjusted Sale Proceeds in respect of a particular newspaper business being sold by CanWest (the "Business") exceeds the Adjusted Cost of the Business. If the Adjusted Cost of the Business exceeds the Adjusted Sale Proceeds, the Excess Sale Proceeds shall be deemed to be nil.

"Adjusted Sale Proceeds" means the amount of sale proceeds (on a total enterprise value basis) received by CanWest on the sale of the Business, subject to the adjustments below:

- (a) The sale proceeds will be reduced by the amount of transaction costs incurred by CanWest in connection with the sale of the Business;
- (b) The sale proceeds will be reduced by the amount of taxes payable by CanWest in connection with the sale of the Business.

"Adjusted Cost" means the cost of the Business based on the purchase price allocated to the Business in the Purchase Price Allocation Schedule (Schedule A), subject to the adjustments below. If the Business being sold by CanWest does not have a purchase price specifically allocated to it in the Purchase Price Allocation Schedule, but the Business is part of a larger group of businesses to which a purchase price is allocated, then the purchase price allocated to the Business shall be deemed to be the amount calculated by multiplying (i) the agreed upon forecast of sustainable EBITDA of the Business for the year ended December 31, 2000, by (ii) the multiple derived by dividing the purchase price allocated to the larger group of businesses in the Purchase Price Allocation Schedule by the agreed upon forecast of sustainable EBITDA of such group of businesses for the year ended December 31, 2000.

- (a) The cost shall be decreased by any downward adjustment to the Purchase Price of the Business pursuant to the Purchase Price adjustments described in section 8 of the Transaction Proposal;
- (b) *Direct* The cost shall be increased by CanWest's weighted average cost of capital (which in any case shall not be less than 10% per annum) in respect of its investment in the Business, from the time of Closing of the Proposed Transaction to the time of completion of the sale of the Business;
- (c) The cost shall be increased by the amount of any capital investments made by CanWest with respect to the Business, together with CanWest's weighted average cost of capital (which in any case shall not be less than 10% per annum) in respect of such capital investments, from the time they were made to the time of completion of the sale of the Business.

"Purchase Price Allocation Schedule" means the schedule (Schedule A) to be prepared in connection with the Proposed Transaction in which the newspaper businesses being acquired by CanWest will have specific purchase prices allocated to them.

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The foregoing profit sharing formula does not take fully into account the concept that profit sharing will only arise if the sale is at a multiple of EBITDA exceeding 10. The parties shall further explore this aspect when negotiating the Definitive Agreement.

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